

1.94

Ad 472 Rk

4038

Washington

January 30, 1937

A REVIEW OF BUSINESS CONDITIONS
Confidential

Agricultural-Industrial Relations Section
A.A.A.

Washington element of the labor dispute in the auto industry. January 30, 1937, it comes, should be followed by a substantial gain in production for this industry. Certain aspects of the motor situation are not unfavorable. Trade conditions have become rather burdensome. The present lull in new car production will afford dealers a chance to exert special effort in moving used cars. At the same time, new car stock is reduced at the season when they are ordinarily built up to take care of spring demand. This, when Industrial production reached 121 percent of the 1923-25 average in December according to the preliminary Federal Reserve Board index. This is two points above the 1929 average and only four points below the June 1929 peak. The gain of 7 points for December was an extension of the rapid advance which appeared in November when the index rose 4 points. This is the first recession since that of the initial quarter of 1936.

A REVIEW OF BUSINESS CONDITIONS

The accompanying chart shows the seasonally corrected Federal Reserve Board monthly indexes of industrial production from 1919 through 1936 together with an index of population. This chart shows that production reached its 1923-25 ratio to population in November. Industrial production is now back both to its 1923-25 ratio to population and to the 1904-32 per capita trend.

Despite substantial recovery and virtual attainment of pre-depression Output in factories using agricultural raw materials established a new all time high in December (see attached chart). The 1923-25 average ratio of aggregate production of durable goods to that of non-durable goods has approximately been reestablished. This ratio fell to 29 in August 1932 but had recovered to an average of 96 for the last quarter of 1936. Based on past experience, it seems that this ratio must remain below 110 to avoid the danger of industrial instability and a falling off in domestic demand for farm products.

Current labor troubles in the automobile industry and threats of similar troubles in steel, coal, and transportation, together with the rapid wholesale price advances which got under way during the last quarter of 1936, suggest that the recent sharp advance in industrial production may well be partially due both to forward dealer buying and to an attempt on the part of producers to build up stocks. The near term production outlook is obscured somewhat by this situation. However, some relapse appears to be taking place at the present time. The most visible immediate reasons for this are the automobile labor troubles and, more recently, extensive floods.

Whereas floods will, no doubt, tend to retard business for a time as they did early last year, the after effects will be stimulating. When the waters subside, considerable rebuilding will be necessary and the business of producers of construction materials accordingly stimulated. Last year the production index for April (the first month after the floods) rebounded from the year's low of 93 in March to 100 percent of the 1923-25 average.

1929	676
1930	604
1931	015
1932	137
1933	11,548
1934	360
1935	810
1936	8,724

Oct. 1
March

1/ Confidential estimates of Robert R. Nathan of the U. S. Department of Commerce.

1933	44,007	44,007	47,000	3,993	7.9
1934	50,347	51,961	57,000	4,651	9.3
1935	54,433	55,542	60,157	5,704	11.6
1936	61,100	61,775	66,304	5,491	11.6

January 30, 1937

A REVIEW OF BUSINESS CONDITIONSIndustrial Production

Industrial production reached 121 percent of the 1923-25 average in December according to the preliminary Federal Reserve Board index. This is two points above the 1923 average and only four points below the June 1923 peak. The gain of 7 points for December was an extension of the rapid advance which appeared in November when the index rose 4 points.

An accompanying chart shows the seasonally corrected Federal Reserve Board monthly indexes of industrial production from 1919 through 1926 together with an index of population. This chart shows that production reached its 1923-25 ratio to population in November. Industrial production is now back both to its 1923-25 ratio to population and to the 1904-22 per capita trend.

Output in factories using agricultural raw materials established a new all time high in December (see attached chart). The 1923-25 average ratio of aggregate production of durable goods to that of non-durable goods has approximately been reestablished. This ratio fell to 29 in August 1925 but had recovered to an average of 26 for the last quarter of 1926. Based on past experience, it seems that this ratio must remain below 110 to avoid the danger of industrial instability and a falling off in domestic demand for farm products.

Current labor troubles in the automobile industry and threats of similar troubles in steel, coal, and transportation, together with the rapid wholesale price advances which got under way during the last quarter of 1926, suggest that the recent sharp advance in industrial production may well be partially due both to forward dealer buying and to an attempt on the part of producers to build up stocks. The near term production outlook is obscured somewhat by this situation. However, some release appears to be taking place at the present time. The most visible immediate reasons for this are the automobile labor troubles and, more recently, extensive floods.

Whereas floods will, no doubt, tend to retard business for a time as they did early last year, the after effects will be stimulating. When the waters subside, considerable rebuilding will be necessary and the business of producers of construction materials accordingly stimulated. Last year the production index for April (the first month after the floods) rebounded from the year's low of 23 in March to 100 percent of the 1923-25 average.

Settlement of the labor dispute in the automobile industry, when it comes, should be followed by a substantial gain in production for this industry. Certain aspects of the motor situation are not unfavorable. Trade comments suggest that used car inventories have become rather burdensome. The present lull in new car production will afford dealers a chance to exert special effort in moving used cars. At the same time, new car stocks will be drastically reduced at the season when they are ordinarily built up to take care of spring demand. Thus, when full production can be resumed dealer demand will be exceptionally heavy and movement into buyers' hands facilitated by an improved used car situation.

It appears that production is experiencing a relapse after having successively reached new recovery highs for four consecutive months. This is the first recession since that of the initial quarter of 1936. The upward push of recovery forces, aided by post-flood demand and later by settlement of the auto strike, is expected to hold the current relapse to intermediate proportions. Unemployment is Still Large 1923, 1925 and 1929, each of which was followed by recession.

Despite substantial recovery and virtual attainment of pre-depression balance in production, discussed above, unofficial estimates show that about 9 million of the employable population are either without work or are employed at emergency jobs, as compared with 15 million in March 1933. December estimates of employment and unemployment each year from 1929 appear below. 1924-9 average between November and December. The 1933 estimate (affected to only a minor extent by extra

U. S. Employment and Unemployment 1/, December of Each Year, 1929-36
(000 omitted)

	Total			Total Excl. Agriculture		
	Employables	Employed	Unemployed	Employables	Employed	Unemployed
1929	48,724	45,893	2,831	38,243	35,567	2,676
1930	49,051	42,095	6,956	38,525	31,921	6,604
1931	49,378	38,764	10,614	38,706	28,691	10,015
1932	49,706	36,119	13,587	38,761	25,624	13,137
1933	50,032	37,986	12,046	39,118	27,570	11,548
1934	50,358	38,273	12,085	39,468	28,108	11,360
1935	50,680	40,040	10,640	39,810	29,375	10,435
1936	51,013	42,162	8,851	40,223	31,499	8,724
<u>High and Low Points</u>						
Oct. 1929	48,670	48,178	492	38,157	36,811	1,346
March 1933	49,787	34,716	15,071	38,193	24,333	14,580
1930	49,051	42,095	6,956	38,525	31,921	6,604
1931	49,378	38,764	10,614	38,706	28,691	10,015
1932	49,706	36,119	13,587	38,761	25,624	13,137
1933	50,032	37,986	12,046	39,118	27,570	11,548
1934	50,358	38,273	12,085	39,468	28,108	11,360
1935	50,680	40,040	10,640	39,810	29,375	10,435
1936	51,013	42,162	8,851	40,223	31,499	8,724
1933	45,507	45,649	42,054	3,595	7.9	
1934	50,949	51,951	47,080	4,851	9.3	
1935	54,469	55,942	50,188	5,754	10.5	
1936	61,104	62,775	56,304	6,471	10.5	

1/ Confidential estimates of Robert R. Nathan of the U. S. Department of Commerce.

Settlement of the labor dispute in the automobile industry, when it comes, should be followed by a substantial gain in production for this industry. Certain aspects of the motor situation are not unfavorable. Trade comments suggest that used car inventories have become rather burdensome. The present lull in new car production will afford dealers a chance to exert special effort in moving used cars. At the same time, new car stocks will be drastically reduced at the season when they are ordinarily built up to take care of spring demand. Thus, when full production can be resumed dealer demand will be exceptionally heavy and movement into buyers' hands facilitated by an improved used car situation.

It appears that production is experiencing a relapse after having successively reached new recovery highs for four consecutive months. This is the first recession since that of the initial quarter of 1932. The upward push of recovery forces, aided by post-flood demand and later by settlement of the auto strike, is expected to hold the current relapse to intermediate proportions.

Unemployment is Still Large

Despite substantial recovery and virtual attainment of pre-depression balance in production, discussed above, unofficial estimates show that about 3 million of the employable population are either without work or are employed at emergency jobs, as compared with 15 million in March 1932. December estimates of employment and unemployment each year from 1929 appear below.

U. S. Employment and Unemployment 1, December of Each Year, 1929-36
(000 omitted)

	Total			Total		
	Employables	Unemployed		Employables	Unemployed	
1936	48,018	42,182	:	40,222	31,499	8,724
1935	50,680	40,040	:	39,810	29,375	10,435
1934	50,358	38,273	:	39,468	28,108	11,360
1933	50,032	37,988	:	39,116	27,570	11,548
1932	48,708	36,119	:	38,761	25,624	13,137
1931	49,278	38,734	:	38,706	28,691	10,015
1930	48,051	42,085	:	38,325	31,621	6,804
1929	48,724	45,893	:	38,242	35,567	2,676

High and Low Points			Total		
Employables	Unemployed		Employables	Unemployed	
48,724	45,893	:	38,242	35,567	1,346
48,737	34,716	:	38,193	24,232	14,280

Allowing for the fact that some unemployment exists even in periods of prosperity and realizing that the above estimates are not necessarily very accurate, it is, nevertheless, apparent that industry must still absorb about as many (perhaps more) workers as were added between March 1933 and December 1936 to reduce unemployment to its pre-depression significance. Without attempting a definite estimate of the expansion of production necessary to absorb six to seven million of the present unemployed, also to make room for the increase in employables, it may be noted that the Federal Reserve production index increased from 59 to 121 between March 1933 and December 1936 while a somewhat comparable number were being added to the nation's working force.

If employment outside of agriculture were to parallel industrial production, an advance of around 25 percent between now and 1940 would be necessary to reduce unemployment to the 2 million mark. This would mean a production index of close to 150 as compared with an average of 105 for 1936 and 121 at the year end. This is not intended as a definite forecast of the actual recovery needed for full reemployment, but is merely a suggestion as to the apparent minimum necessary to such an accomplishment. But an advance to a level of 150 would represent a maximum industrial situation like that of 1919, 1923, 1925 and 1929, each of which was followed by recession.

As will be seen, National Income, Excluding Agriculture total national income rose from 90 to 97 percent of the 1924-9 average between November and December.

Aided both by numerous industrial wage advances and heavy year-end dividend disbursements, national income, excluding agriculture, rose from 90 to 97 percent of the 1924-9 average between November and December. The 1936 annual estimate (affected to only a minor extent by extra dividends) amounts to \$56,300,000,000 as compared with \$50,200,000,000 in 1935, a gain of 12.2 percent. On a per capita purchasing power basis (i.e. corrected for increases in urban living costs and non-farm population) this represents a gain of 10 percent. The following tabulation shows annual estimates of national income from 1924 through 1936.

<u>National Income, 1924-1936</u>					
(Million)					
	Total 1/ (Dept. of Comm. Series)	Total with Revision for Agriculture	Non-A Agric. 1/	Agric. 2/	Agric. as Percent of Total
1924	\$66,732	\$67,946	\$60,136	\$7,810	11.5%
1925	70,757	72,293	63,978	8,315	11.5
1926	73,625	74,586	66,740	7,846	10.5
1927	74,566	75,479	67,636	7,843	10.4
1928	76,140	77,123	69,182	7,941	10.3
1929	78,639	79,815	71,609	8,206	10.3
1930	72,951	73,157	66,830	6,327	8.7
1931	61,774	61,167	57,048	4,119	6.7
1932	48,460	47,604	44,877	2,727	5.7
1933	45,507	45,649	42,054	3,595	7.9
1934	50,949	51,931	47,080	4,851	9.3
1935	54,469	55,942	50,188	5,754	10.3
1936	61,104	62,775	56,304	6,471	10.3

Allowing for the fact that some unemployment exists even in periods of prosperity and realizing that the above estimates are not necessarily very accurate, it is, nevertheless, apparent that industry must still absorb about as many (perhaps more) workers as were added between March 1933 and December 1933 to reduce unemployment to its pre-depression significance. Without attempting a definite estimate of the expansion of production necessary to absorb six to seven million of the present unemployed, also to make room for the increase in employables, it may be noted that the Federal Reserve production index increased from 59 to 121 between March 1933 and December 1933 while a somewhat comparable number were being added to the nation's working force.

If employment outside of agriculture were to parallel industrial production, an advance of around 25 percent between now and 1940 would be necessary to reduce unemployment to the 2 million mark. This would mean a production index of close to 150 as compared with an average of 105 for 1933 and 121 at the year end. This is not intended as a definite forecast of the actual recovery needed for full employment, but is merely a suggestion as to the apparent minimum necessary to such an accomplishment. But an advance to a level of 150 would represent a maximum industrial situation like that of 1919, 1923, 1925 and 1929, each of which was followed by recession.

National Income, Excluding Agriculture

Added both by numerous industrial wage advances and heavy year-end dividend distributions, national income, excluding agriculture, rose from 90 to 97 percent of the 1924-3 average between November and December. The 1936 annual estimate (adjusted to only a minor extent by extra dividends) amounts to \$56,300,000,000 as compared with \$50,300,000,000 in 1935, a gain of 12.3 percent. On a per capita purchasing power basis (i.e. corrected for increases in urban living costs and non-farm population) this represents a gain of 10 percent. The following tabulation shows annual estimates of national income from 1924 through 1936.

National Income, 1924-1936 (Million)				
	Total	Revised for	Agriculture	Non-A
	(Dept. of Comm. Series)			
			Agric. %	Total
1936	\$1,104	\$2,775	58.304	6,471
1935	\$4,469	\$5,942	50.188	8,754
1934	\$0,948	\$1,921	47.080	4,851
1933	\$5,507	\$6,649	42.024	3,855
1932	\$8,480	\$1,804	44.877	3,727
1931	\$1,774	\$1,167	\$1,048	4,119
1930	\$2,951	\$2,157	\$6,320	8,327
1929	\$8,629	\$9,816	\$1,609	8,306
1928	\$8,140	\$7,122	\$9,162	7,941
1927	\$4,866	\$5,470	\$7,628	7,642
1926	\$2,626	\$4,888	\$6,740	7,646
1925	\$0,757	\$2,222	\$2,978	8,216
1924	\$6,732	\$67,946	\$60,126	\$7,810

Agric. as
Percent of
Total

Sources: U.S. Department of Commerce and Agricultural Adjustment Administration from 1929; King and A.A.A. prior to 1929.

- 1/ Income "paid out" as estimated by U.S. Department of Commerce from 1929 except that direct relief is added beginning with 1933 and 1936 is estimated by A.A.A.
- 2/ This is essentially the same as the U.S. Department of Commerce estimates of agricultural income produced except that revisions have been made by A.A.A. on basis of most recent data.

The first column of figures in the above tabulation brings up to date and extends back to 1924 the U.S. Department of Commerce 1929 to 1935 national income "paid out" series. The second column differs from the first primarily because business savings for agriculture, as estimated by the U.S. Department of Commerce (plus or minus), have here been disregarded in arriving at agriculture's contribution to the total. Agriculture's contribution as presented in this table shows a substantial fall, relative to total income, from 1929 to 1932 and recovery thereafter. The relative fluctuations are much smaller when based on Department of Commerce income "paid out" estimates and, we believe, less representative of the true situation.

As will be noted, agriculture's contribution to total national income rose from a low of 5.7 percent in 1932 to 10.3 percent in 1935 and 1936. The 1935-36 ratios were approximately equal to the average of the 4 years immediately preceding the depression. Thus agriculture is again contributing its pre-depression share to the nation's income. However, during the 1909-13 pre-war period, agriculture contributed 17 1/4 percent to the total. On this basis the 1935-36 contribution of agriculture was 60 percent as important relatively as in the pre-war period. Over half of this disparity is accounted for by population changes. Non-farm population has increased 58 percent since 1909-13 whereas there has been no increase in the number of people living on farms. Adjusting to a per capita basis it is found that agriculture's contribution to the nation's income is 82 percent as important relatively as in the pre-war period. To have been up to pre-war agriculture's contribution to national income, as estimated, would have averaged \$41 higher per farm person, or a total of \$1,340,000,000 larger, in 1935 and 1936 than shown in the accompanying tabulation. Agriculture's contribution to national income is not the same as net income of farmers but trends are probably not greatly different. Reestablishment of the pre-war balance of per capita purchasing power of net income as between persons living on and off farms is one of the goals mentioned in the "Soil

Wholesale	Conservation and Domestic Allotment Act	92.3	9.9	90.3
Food	"	88.3	85.5	87.3
All Others	"	71	Construction	83.1
				4.4
				83.1

Farm Prices In last month's business review, attention was called to the fact that the year-to-year gain in construction during the last quarter of 1936 was considerably smaller than the percentage gain estimated for

Food	133.7	131.4
Other	148.9	149.5

the entire year. Tabulated below are both dollar figures and index numbers representing the total value of construction contracts awarded in recent years as reported by F. W. Dodge.

Construction, 37 Eastern States

	Mil. \$	Indexes	
		<u>1928=100</u>	<u>1933=100</u>
1928 (high)	6,628	100	528
1933 (low)	1,256	19	100
1934	1,543	23	123
1935	1,845	28	147
1936	2,675	40	213

The gain for 1936 amounted to 45 percent, bringing the volume up to 40 percent of the 1928 peak year and to 213 percent of that reported for 1933.

An accompanying chart shows the trend of contracts awarded (3 months moving average) for the principal types of building and construction. This shows a substantial decline in the 3 month moving average of contracts since the 1936 August-September peak. Despite a comparatively open winter in the east, a portion of this decline is, no doubt, attributable to seasonal factors. However, the fact that December contracts were 24 percent lower than a year earlier and that awards for the first 15 days of January 1937 were only 49 percent as large as the entire month of January 1936 suggests that the decline is of more than seasonal significance and emphasizes the probability that 1937 may witness a definite reduction in the rate of improvement.

Prices and Living Costs

The sharp advance in wholesale prices which got under way early in October 1936 had resulted in a 5 percent rise by the middle of January. The largest gain occurred in the farm commodity group where the advance amounted to 10 percent. This is shown in the following tabulation.

Prices and Living Costs

	Month of Sept. '36	Month of Dec. '36	Week of Jan. 16 '37	Sept. to January Gain	Week of Jan. 23 (37)
Wholesale Prices, 1926=100	81.6	84.2	85.7	5.0%	85.3
Farm Commodities "	84.0	88.5	92.3	9.9	90.3
Foods "	83.3	85.5	87.3	4.8	86.7
All Others "	79.6	82.2	83.1	4.4	83.1
Farm Prices 1910-14=100	124 <u>1/</u>	126			
Cost of Living, 1913=100	143.6	143.2			
Food	133.7	131.4			
Other	148.9	149.5			

1/ 121 in October.

823	001	829.0	(47-1)	8001
001	01	807.1	(011)	8211
821	02	806.1		8221
001	03	805.1		8231
821	04	804.2		8241

UP to 50 percent of the 1953 year and to 10 percent of the 1954 year for 1953.

[illegible]

The sharp advance in wholesale prices which had under way early in October 1950 had resulted in a 6 percent rise in the index of farm-
ers. The largest gains occurred in the farm commodity group where the
advance amounted to 10 percent. This is shown in the following table.

Year of 1947	Year of 1948	Year of 1949	Year of 1950	Year of 1951	Year of 1952
88.1	87.1	86.1	85.1	84.1	83.1
88.2	87.2	86.2	85.2	84.2	83.2
88.3	87.3	86.3	85.3	84.3	83.3
88.4	87.4	86.4	85.4	84.4	83.4
88.5	87.5	86.5	85.5	84.5	83.5
88.6	87.6	86.6	85.6	84.6	83.6
88.7	87.7	86.7	85.7	84.7	83.7
88.8	87.8	86.8	85.8	84.8	83.8
88.9	87.9	86.9	85.9	84.9	83.9
89.0	88.0	87.0	86.0	85.0	84.0

Item	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348</
------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	--------

The first reaction of any consequence since this advance got under way has occurred during the last half of January. The relapse started about a month after the first indications of reduced industrial production (see weekly production index on an accompanying chart).

Though living costs increased substantially between May and September 1936, due largely to higher retail food prices, no further increase accompanied the sharp wholesale price advance. In fact, the peak of living costs thus far in recovery was reached in September, just prior to the start of the rapid advance in wholesale prices. Living costs increased fractionally in December but were still somewhat below the September peak, lower food prices more than offsetting the advance in other items.

Wholesale price advances at the rate of the last three months should not be expected to continue. Resumption of a sidewise movement similar to that which prevailed from mid 1934 to mid 1936 would be a more logical expectation. Living costs which increased an average of only 1.1 percent in 1936 may move somewhat higher during the first half of 1937; after which (barring another season of low farm production) a decline in food costs should tend to offset continued increases in rents and possibly in other items of the family budget. On the whole, living costs for the year 1937 are not expected to increase sufficiently to prevent the major portion of the estimated 10 percent gain in national income being translated into a similar gain in national purchasing power.

Wholesale Prices, Farm	100.0	114.4	100.0	100.0	100.0
Wholesale Prices, Non-Farm	100.0	114.4	100.0	100.0	100.0
Wholesale Prices, All-U.S.	100.0	114.4	100.0	100.0	100.0
Prices Paid by Farmers	100.0	114.4	100.0	100.0	100.0
Prices Received by Farmers	100.0	114.4	100.0	100.0	100.0
Index of Living Costs	100.0	114.4	100.0	100.0	100.0
U.S. Employment, Total	100.0	114.4	100.0	100.0	100.0
U.S. Employment, Mfg.	100.0	114.4	100.0	100.0	100.0
U.S. Employment, Non-Mfg.	100.0	114.4	100.0	100.0	100.0
U.S. Exports	100.0	114.4	100.0	100.0	100.0
U.S. Imports	100.0	114.4	100.0	100.0	100.0

U. S. Department of Commerce
Bureau of Economic Analysis

- (1) Adjusted for seasonal variation
- (2) Preliminary figures
- (3) January 1933
- (4) January 1934
- (5) January 1935
- (6) January 1936
- (7) December 1936

Source: Bureau of Economic Analysis

U. S. Department of Commerce
Bureau of Economic Analysis
Washington, D. C.

[illegible]

the advance in other items.

[illegible]

B U S I N E S S I N D I C A T O R S

		: December:	November:	December:	December:	December:
	: Key :	1936(P):	1936(r):	1935 :	1933 :	1929
Farm Income (with bene- fits) (1)	: a :	\$ 702	\$ 678	\$ 620	\$ 473	\$ 829
Urban Income (with Relief) (1)	: a :	\$5,376	\$4,992	\$4,428	\$3,785	\$5,943
Industrial Activity F.R.B. (1)	: b :	121	114	101	75	103
Department Store Sales (1)	: c :	83	84	75	62	100
Rural Retail Sales (1)	: c :	105	98	88	62	100
Motor Vehicle Output (Units) (U.S. & Canada)	: d :	519	406	418	84	126
New Passenger Car Regis- trations (Units)	: d :	*	224	237	59	139
Dollar Sales, New Passen- ger Autos (1)	: c :	121.8	105.1	73.9	21.2	78.4
Steel Ingot Production (tons)	: d :	4,432	4,337	3,073	1,799	2,903
Building Contracts, (Dodge)	: a :	200	208	264	207	316
Railway Carloadings (2)	: d :	694	754	580	513	835
Electric Power Production (K.W. Hr.) (2)	: a :	2,220	2,167	1,951	1,603	1,786
Wholesale Prices, All Commodities	: f :	123.0	120.4	118.2	103.4	136.2
Wholesale Prices, Farm	: f :	124.2	119.4	109.8	77.8	142.9
Wholesale Prices, Food	: f :	132.5	130.0	132.8	96.9	153.0
Wholesale Prices, Non-Agric.	: f :	122.4	120.4	119.8	109.0	134.8
Prices Paid by Farmers	: f :	128(6)	123(7)	122(5)	102(4)	184(3)
Prices Rec'd. by Farmers	: f :	131(6)	126(7)	109(5)	60(4)	147(3)
Urban Cost of Living	: g :	143.2	142.9	141.9	134.6	173.7
U.S. Unemployment, Trade Unions (A.F. of L.)	: c :	141(6)	135(7)	209(5)	315(4)	138(3)
U.S. Employment, Mfg. Industries (B.L.S.)	: c :	93.3	92.3	84.3	74.1	95.1
U.S. Exports	: a :	230	226	224	193	427
U.S. Imports	: a :	244	196	187	134	310

P - Preliminary

r - Revised

(1) Adjusted for seasonal variation

(2) Four weeks' Average

(3) January 1929

(4) January 1933

(5) January 1936

(6) January 1937

(7) December 1936

KEY:

a - in millions

b - 1923-25=100

c - 1929=100

d - in thousands

f - 1910-14=100

g - 1913=100

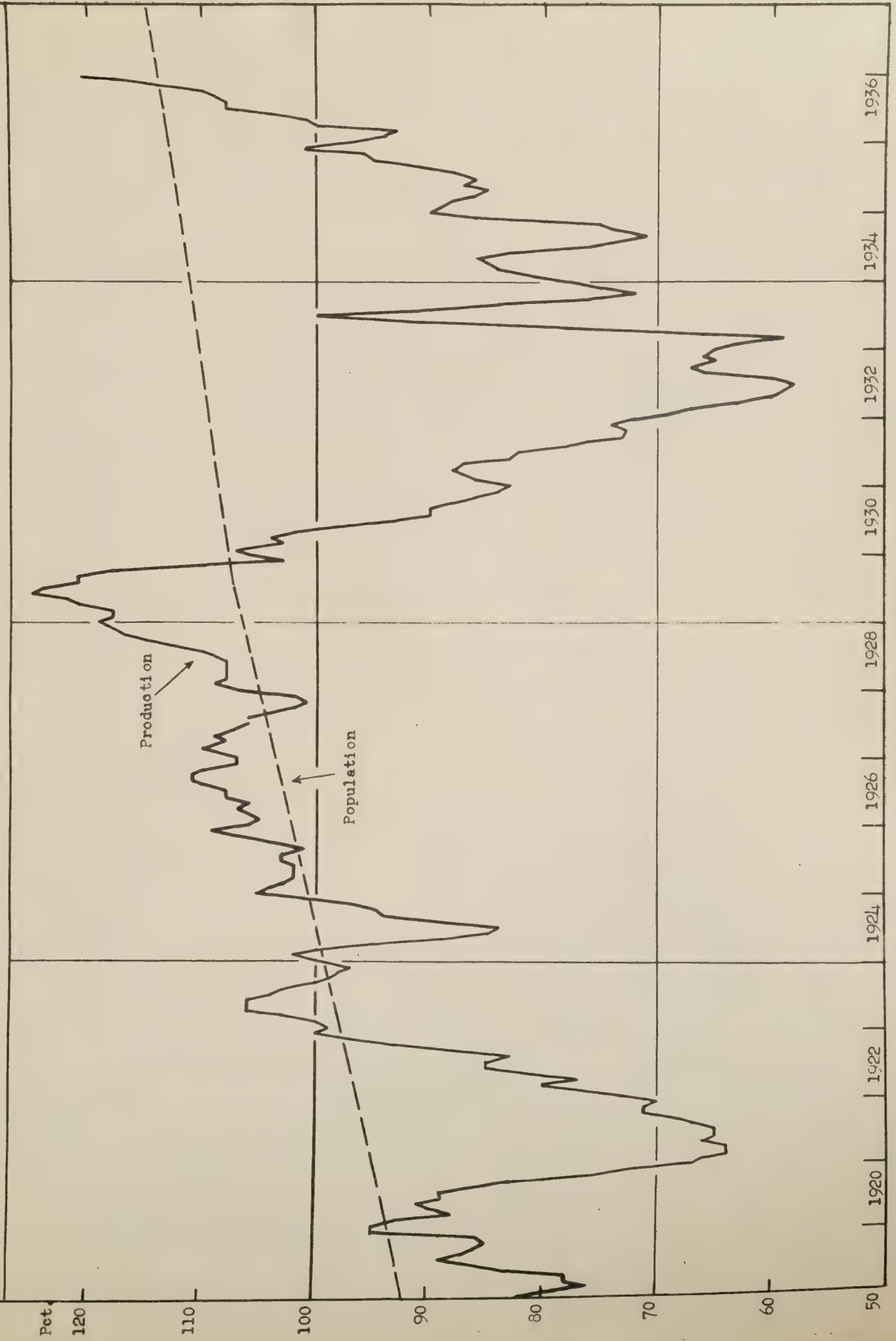
* Not available

THE UNIVERSITY OF CHICAGO

7 - November 1955	7 - Preliminary
6 - January 1957	7 - Revised
5 - January 1959	(1) Adjusted for seasonal variations
4 - January 1959	(2) Four weekly averages
3 - January 1959	
2 - 1950-1959	
1 - in thousands	

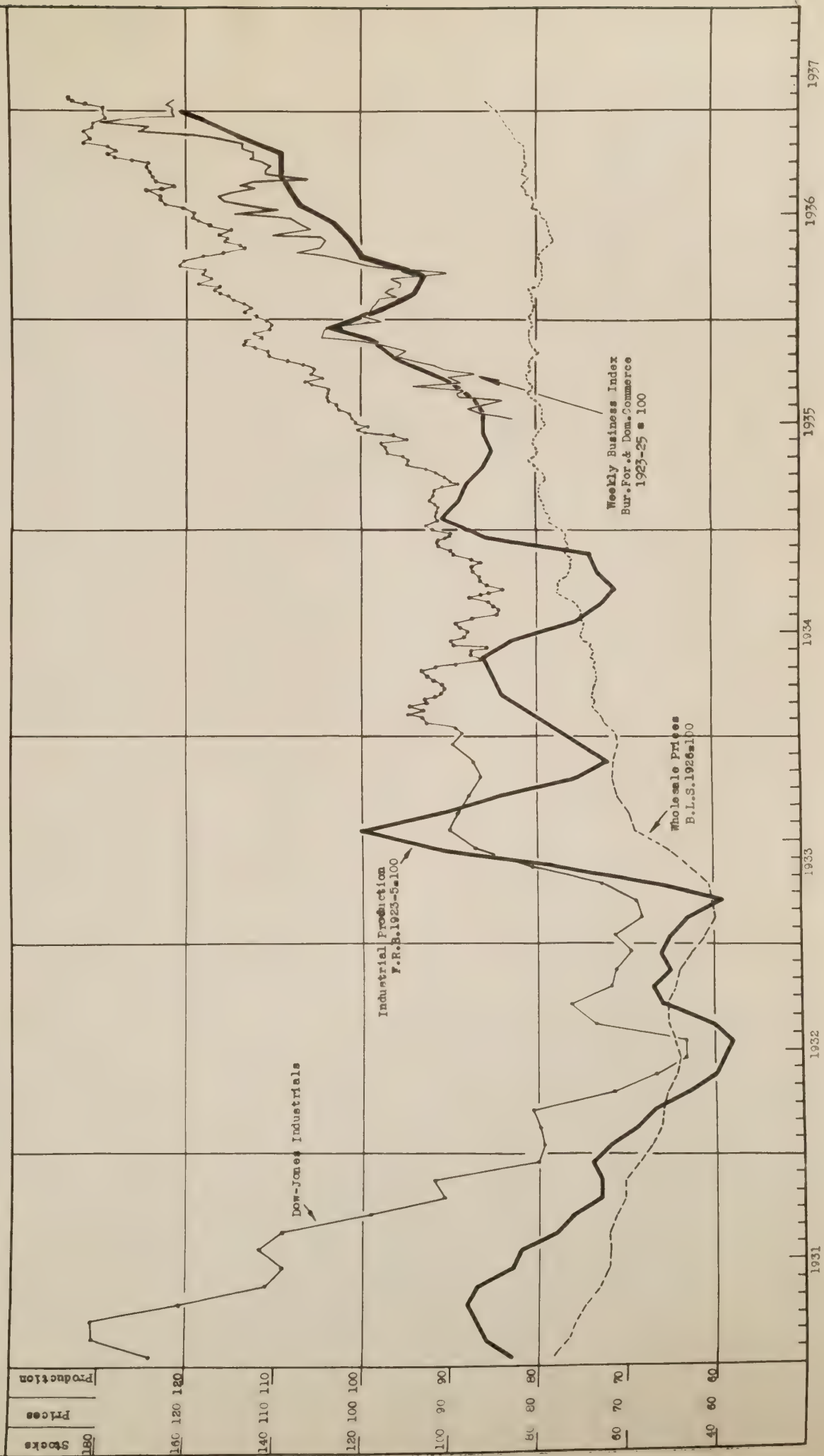
NEW:

INDEXES OF INDUSTRIAL PRODUCTION AND OF POPULATION
(1923-25=100)

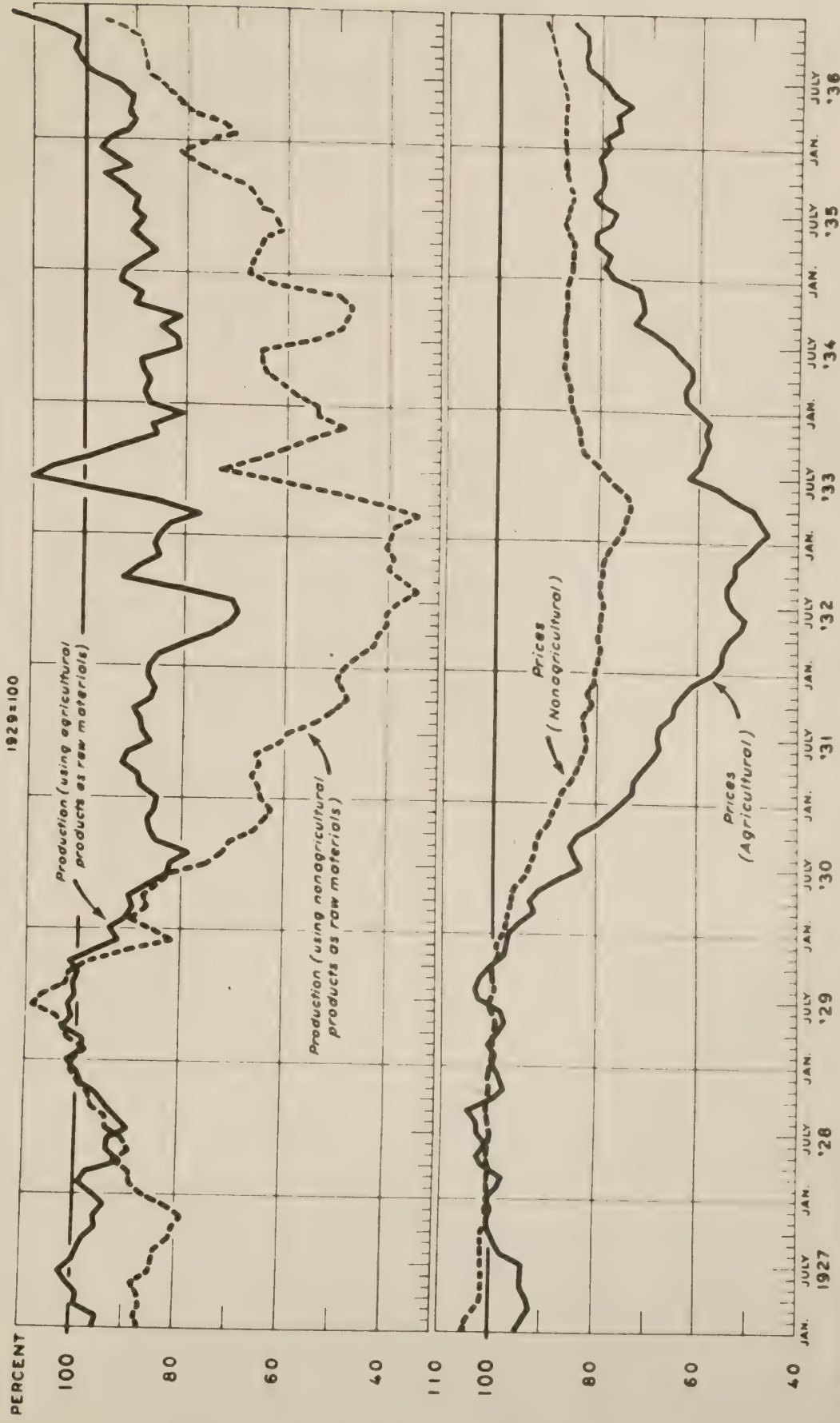


PRODUCTION AND PRICES

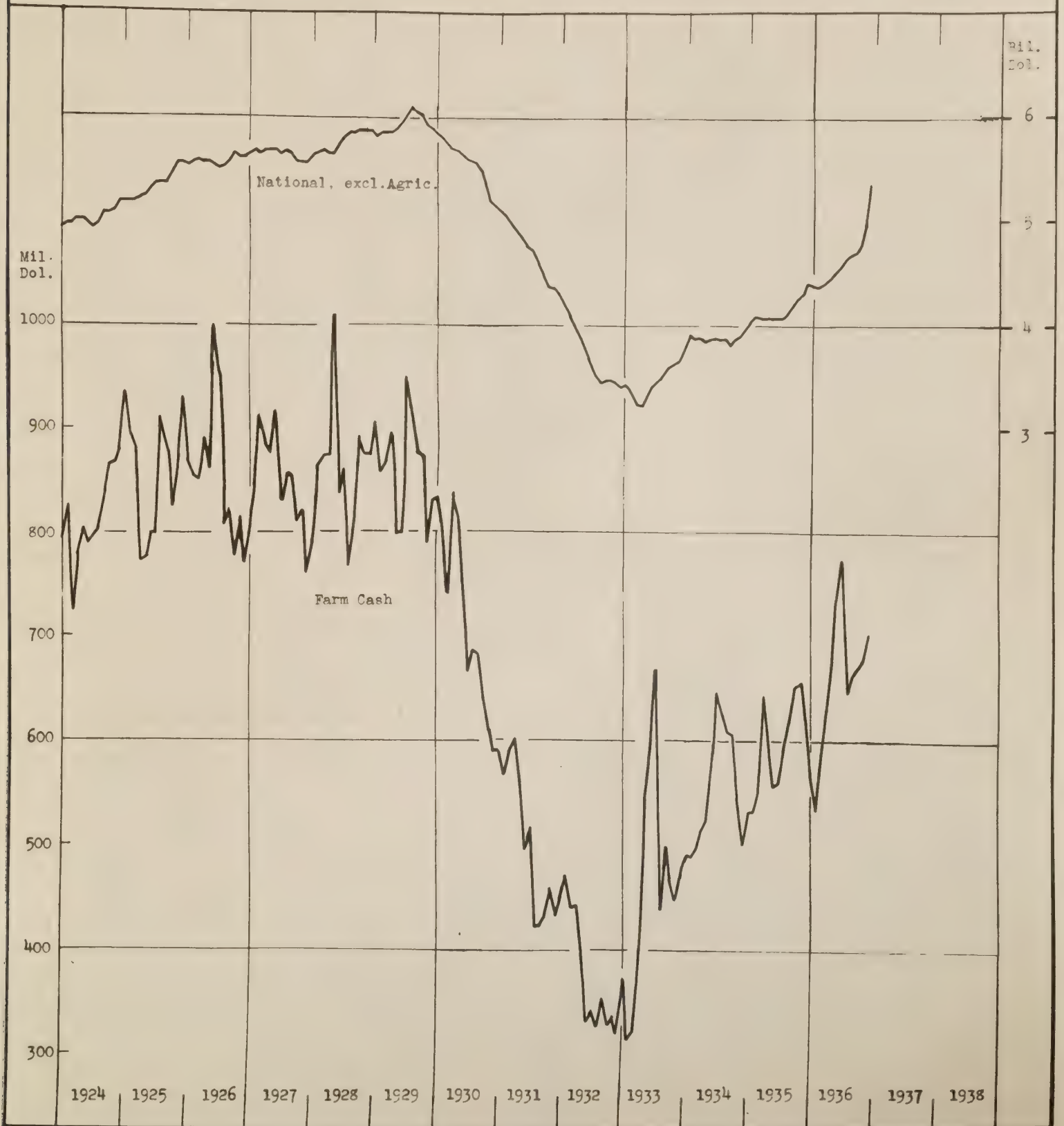
(Industrial Production, Stock and Commodity Prices)



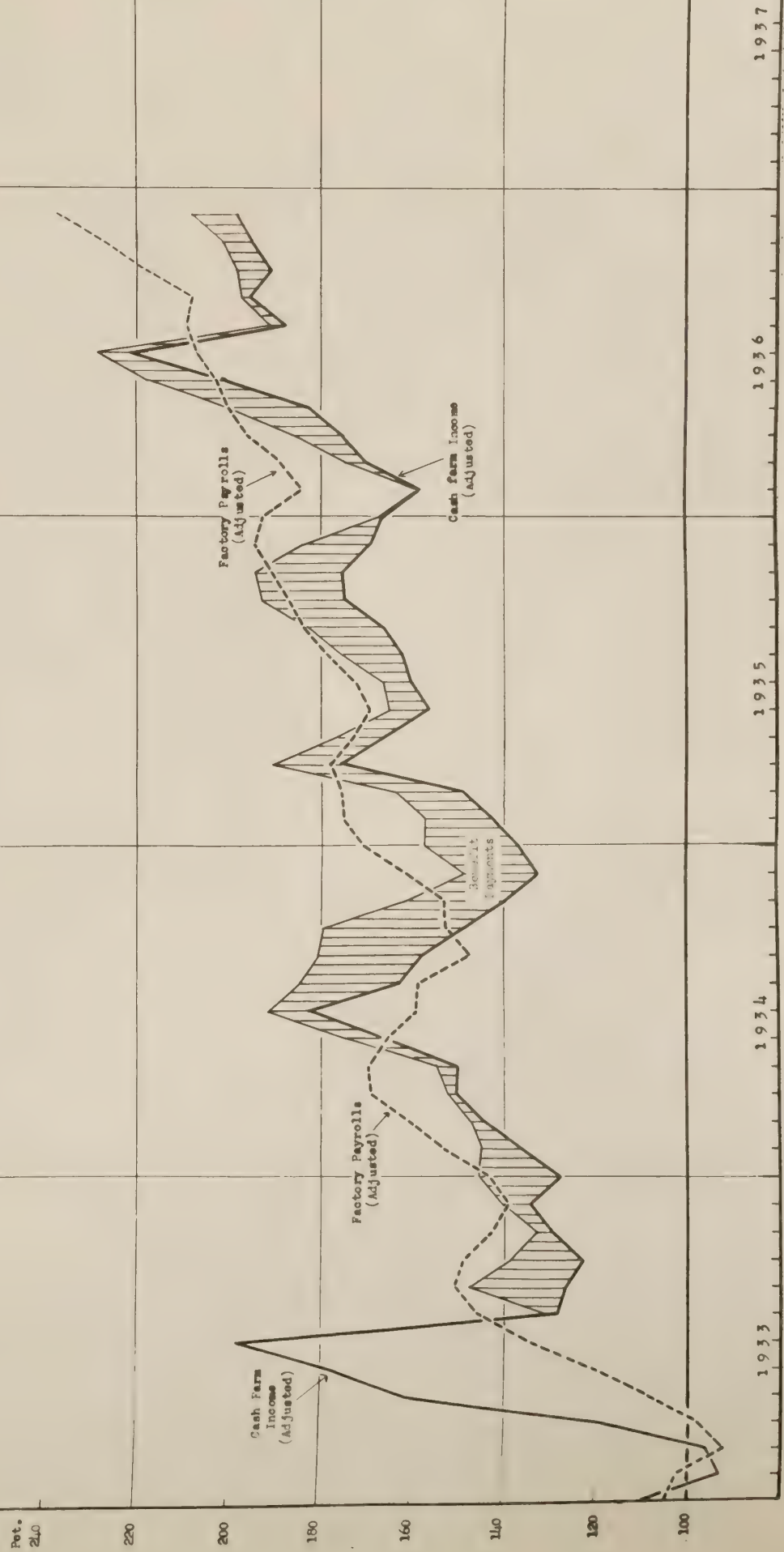
MANUFACTURING OUTPUT AND WHOLESALE PRICES



NATIONAL INCOME, EXCLUSIVE OF AGRICULTURAL AND FARM CASH INCOME, 1924 TO DATE
(Dollar figures seasonally corrected)

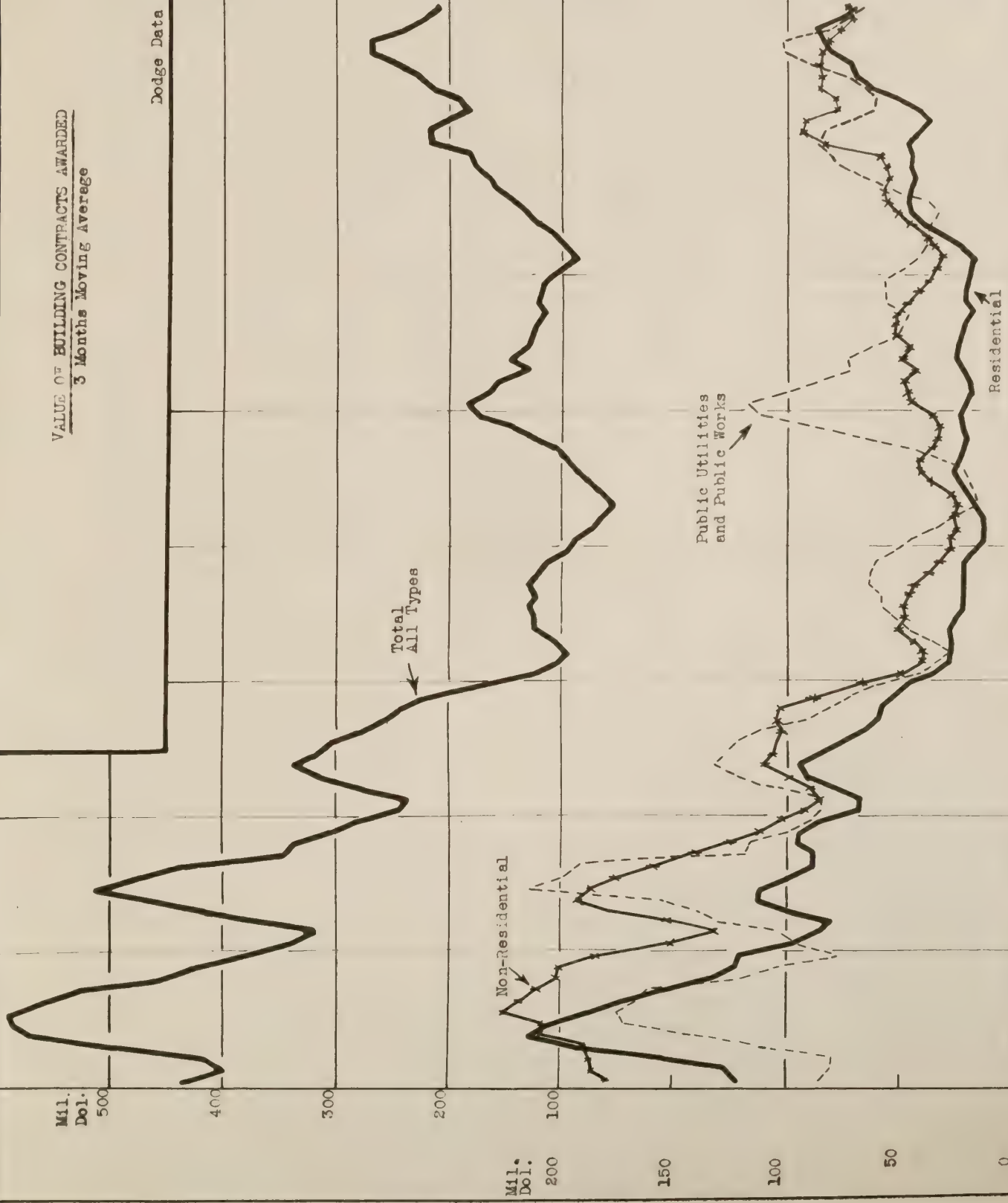


FARM INCOME AND FACTORY PAYROLLS SINCE JANUARY 1933
(First Quarter 1933=100)



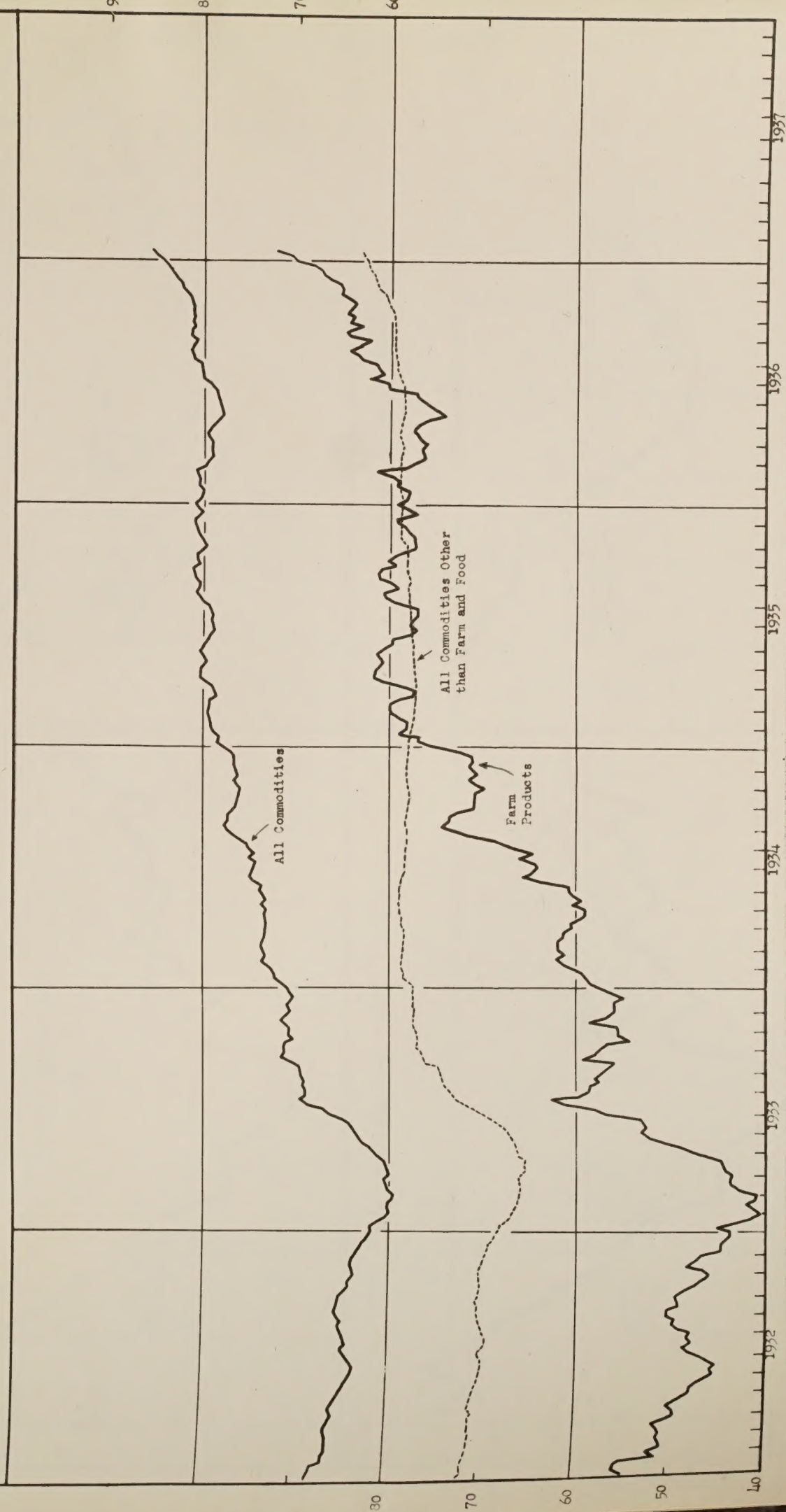
VALUE OF BUILDING CONTRACTS AWARDED
3 Months Moving Average

Dodge Data



WEEKLY WHOLESALE COMMODITY PRICES

1926 = 100



INCOME AND TRADE

Indexes of Farm and Non-farm Income, Rural Retail Sales
and Department Store Sales, Quarterly
1929 to 1935
Seasonally corrected - 1929 = 100

